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April 24, 2007

VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington DC 20554

Re: *Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related Requirements, WC Docket No. 02-112*

Dear Ms. Dortch:

At the request of staff, AT&T Inc. (AT&T) submits the following answers to their inquiries as to AT&T's current corporate structure.

The Woodbury Telephone Company will be integrated into The Southern New England Telephone Company d/b/a AT&T Connecticut, effective May 1, 2007.

SNET America, Inc. is AT&T Connecticut's long distance affiliate that is now a structurally separate section 272 affiliate. The 272 structural separation requirements were implemented in 3Q 2006.

As for AT&T's U.S. international affiliates, none is classified as dominant pursuant to section 63.10 of the Commission's rules, 47 C.F. R. § 63.10.

The following wholly-owned direct or indirect subsidiaries of AT&T Inc. hold international 214 authorizations: ACC National Long Distance Corp.; Alascom, Inc.; AT&T Corp.; AT&T of Puerto Rico, Inc.; AT&T of the Virgin Islands, Inc.; BellSouth International, LLC; BellSouth Long Distance, Inc.; SBC Long Distance, LLC; SNET America, Inc.; SNET Diversified Group, Inc.; TCG America, Inc.; TCG Delaware Valley, Inc.; and TC Systems, Inc.

All of the above-listed U.S. international affiliates of AT&T are classified as non-dominant carriers pursuant to section 63.10. AT&T and its U.S. international affiliates are affiliated with numerous foreign carriers authorized to provide telecommunications services to the public, none of which has market power at the foreign end of any U.S. international route. Accordingly, AT&T's U.S. international affiliates are classified as non-dominant on all U.S.-international routes. *See SBC Communications Inc. and AT&T Corp. Applications for Transfer of Control*, 20 FCC Rcd. 18290, ¶ 168 (2006) ("Neither SBC nor AT&T is currently affiliated with any foreign carrier that has market power on the foreign end of a

U.S. international route."); AT&T Corp. et al., FCC Foreign Carrier Affiliation Notifications, Feb. 1-2, 2007 (reporting new affiliations with AT&T Global Network Services Private Limited of India and showing qualifications for continued non-dominant classifications on the U.S.-India route); AT&T Corp. et al., FCC Foreign Carrier Affiliation Notifications, Jan. 29, 2007 (reporting new affiliations with BellSouth Long Distance, Inc., a foreign carrier in Canada, and showing qualifications for continued non-dominant classifications on the U.S.-Canada route).

In addition, AT&T is attaching a Yankee Group report which indicates that, as of December 2005, more than 70% of households in the United States have a wireless phone.[1] Please see full report attached.

Pursuant to section 1.1206(b)(2) of the Commission's rules, this letter is being filed electronically with the Commission.

If you have any questions, please do not hesitate to contact me at (202) 457-3023.

Sincerely,

/s/Michelle Sclater

cc: W. Dever
W. Kehoe
P. Megna

[1] Yankee Group, *Pervasive Substitution Precedes Displacement and Fixed-Mobile Convergence in Latest Wireless Trends*, at 4 (Dec. 2005).

YANKEE GROUP REPORT

December 2005
by Kate Griffin, Consumer Technologies & Services Program Manager,
kgriffin@yankeegroup.com, 617-880-0225

Pervasive Substitution Precedes Displacement and Fixed-Mobile Convergence in Latest Wireless Trends

Executive Summary

Decision Point:	Managing Wireless Disruption: Substitution, Displacement and Integration
The Bottom Line:	Consumers across all demographic segments are increasing their reliance on the wireless phone. However, despite the growth in wireless-only households, most US households are hesitant to cut the cord. As a result, fixed-mobile convergence is inevitable, despite significant obstacles.
Key Concepts:	Cord-cutters, fixed-mobile convergence, wireless-wireline, convergence, wireless substitution, wireless displacement
Who Should Read:	Corporate strategy, product development, network planning, marketing, business development

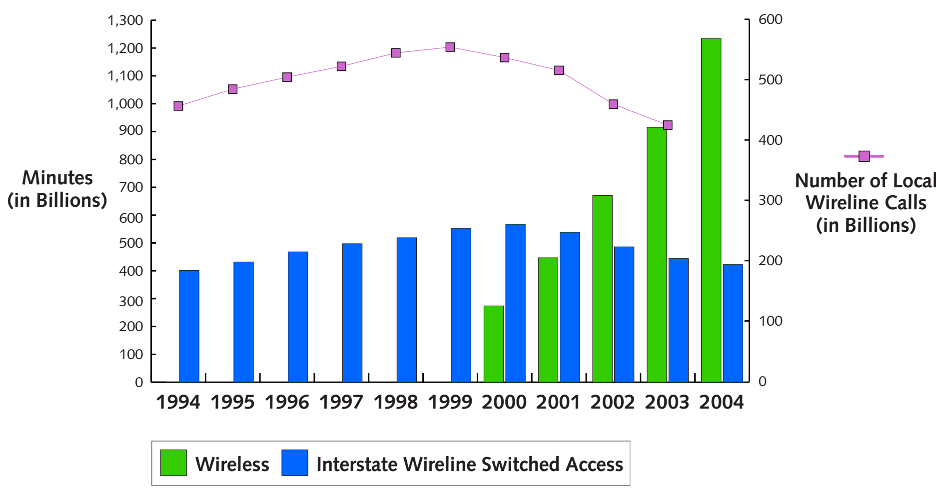
Practice Leader: Boyd Peterson, Senior Vice President, bpeterson@yankeegroup.com, 617-880-0283

This Report provides an update on wireless trends. In the following sections, Yankee Group examines the threats of substitution and displacement, and considers the reality or readiness of fixed/mobile convergence applications.

Exhibit 1 maps the different trajectories of wireless and wireline services during the last 10 years. The disparity between the services is abundantly clear: Between 2000 and 2004, total wireless minutes increased dramatically from 274 billion minutes to more than 1.2 trillion minutes. This is in sharp contrast to the 25% decline in long-distance (interstate) wireline minutes of use (MoU) during the same period. Exhibit 1 also shows a declining trend in the number of regular local wireline calls since 1999.

Exhibit 1.
Wireless Grows with the Decline of Wireline

Source: FCC Trends in Telephone Service Report, June 2005, and Yankee Group 2005 North America Wireless/Mobile Carrier Tracker



Wireless substitution continues to increase across all demographic segments. In the face of unrelenting wireless substitution, fixed telephone operators have—so far—been successful in protecting their local telephone ARPU. However, the widening gap between usage and spending will cause more consumers to question "the value for money" they receive from their local telephone provider.

Yankee Group expects the number of wireless-only households to increase by a CAGR of more than 20% for the years 2005 to 2009. Several key attributes of the landline phone will curb widespread displacement and limit "cord cutting" primarily to specific segments of the market, such as the youth segments.

However, the distinctive attributes of the wireline phone will not provide unlimited protection for the wireline phone. To compete in the long term, wireline providers need to consider fixed-mobile convergence strategies that not only blur spending across the products, but also provide added value to the customer. Although fixed-mobile convergence is inevitable, early forays have yielded less than promising results. Vendors and carriers, both wireless and wireline, must address the challenges of fixed-mobile convergence in a systematic manner and maintain a vigilant watch on consumer readiness and usage patterns. Fixed-mobile convergence strategies will only be successful if they are timed appropriately not too far in advance of consumer demand and if their value outweighs the consumer investment.

Table of Contents

I. Introduction

This Report assesses the impact of wireless service on household communication usage patterns and spending. It provides a progress report on wireless substitution and displacement trends, updating preexisting Yankee Group data based upon our latest market research results and industry metrics for 2005. The Report includes Yankee Group's wireless displacement forecast for 2005 to 2009, which estimates the number of households that will "cut" all corded telephone services in the home, including VoIP, and rely on wireless service only.

II. Wireless Advances as Landline Declines

During the last two decades, cellular adoption and usage patterns have changed dramatically. Cellular service was originally considered the preserve of the business executives and the very affluent. Today, wireless service is considered an essential, often primary, mode of communication for all demographics.

Wireless Usage Increases

Since 2001, when traditional carriers began telephone to lose lines for the first time, the wireless march has continued unabated. Between 2000 and 2005, the traditional telcos lost retail residential access lines at a CAGR of -5.4%. Between 2000 and 2004, wireless experienced a sharp increase in total wireless minutes from 274 million minutes to more than 1.2 trillion minutes. This sharply contrasts with the 25% decline in long-distance (interstate) wireline minutes of use during the same period. Exhibit 1 also shows a declining trend in the number of regular local wireline calls since 1999.

Today, more than 70% of households in the United States have a wireless phone. And as the annual Yankee Group *Technologically Advanced Family (TAF) Survey*[SM] reveals, wireless adoption crosses all demographic segments. Sixty-two percent of households with an income of less than $35,000 report that they have at least one wireless phone in the household. Fifty-six percent of respondents over the age of 65 report a wireless phone in their household.

However, as wireless has penetrated deeper into the mass market, remarkably the minutes of use per month have not declined. Instead, because of lowered pricing, the average minutes per month have increased dramatically during the last few years to 678 minutes of use per month in the second quarter of 2005. This sharp rise was fueled by a correspondingly sharp decline in the effective price per wireless minute. (The effective price per minute calculates the cost for each minute actually used and includes both monthly and recurring charges.) The wireless carriers' packaging of larger bundled minutes, free nights and weekends, and free nationwide long distance drove the effective price per wireless minute down to $0.081 per minute in the second quarter of 2005 (see Exhibit 2).

Exhibit 2.
Declining Wireless Price per Minute Fuels Wireless Substitution
Source: Yankee Group 2005 North America Wireless/Mobile Carrier Tracker

	2001 (mid)	2005 (mid)
Monthly Minutes of Use	350	678
Effective Price per Minute	$0.169	$0.081

III. Wireless Substitution: Everybody's Doing It

To some extent, all wireless service competes directly with traditional landline phone service. These services have always competed for a share of the same household wallet and increasingly they are competing for an equally scarce resource: time.

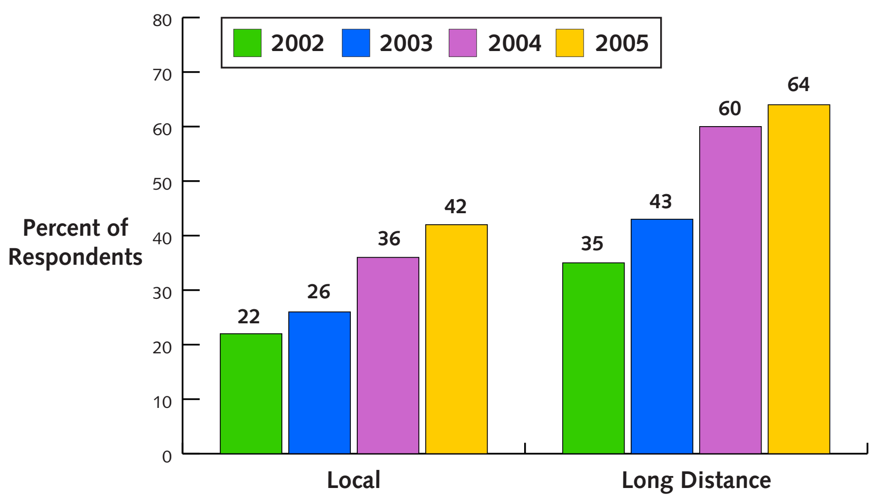
Exhibits 1 and 2 both show a sharp rise in wireless calling. Although some of these wireless minutes may be additive minutes—calls that only take place because of the ease, accessibility and lowered cost of cellular—the majority of these calls arguably are replacing calls that otherwise would take place over the landline telephone.

Yankee Group's primary research data confirms this contention. In the Yankee Group *2005 Technologically Advanced Family Survey*, wireless households reported that 42% of their regular local calls have been replaced by wireless calling and 64% of their long-distance calls have been replaced by wireless calling (see Exhibit 3). Yankee Group's annual survey of mobile user trends (*2005 Mobile User Survey)* provides additional perspective on the degree of wireless substitution. Wireless subscribers reported that 24% of their cell phone calling took place inside the home and 10% of their calling took place inside their primary workspace. On a per-minute basis, each wireless subscriber spends 173 minutes per month *in his or her home* talking on a cell phone.

Although the wireless substitution rate of growth may be slowing, this trend continues to undermine the value of the local telephone. In 2003, Yankee Group estimated landline phone minutes of use per month for voice calls to be approximately 1,300 minutes (this excludes usage related to internet access). Because households use the home phone for dialup internet access and fax transmission, the voice-related usage is difficult to capture. Allowing for declines related to wireless, Yankee Group estimates the voice MoU for landline phones in 2005 to be roughly 1,100 minutes. Although this exceeds the 678 MoU per average wireless phone subscriber, it actually represents significantly lower usage on a per-person basis. With an estimated 2.4 telephone users in each home, this means each person is using the home telephone an average of 478 minutes—or nearly 30% less than the wireless subscribers use their wireless phone.

In the face of rising wireless substitution, local telephone operators have resolutely protected the local telephone ARPU. Although local telephone usage has declined consistently since 2001, according to the Yankee Group *US Consumer Service Provider Tracker,* the average spending for local telephone service per US household has remained fairly stable at around $36 per primary line since 2001.

Exhibit 3.
Proportion of Calls over Wireless
Source: Yankee Group 2002, 2003, 2004 and 2005 Technologically Advanced Family Surveys



As more individuals choose wireless as their primary means of communication, traditional telephone providers face an uphill battle in protecting that ARPU. There are significant barriers to cord-cutting that will protect the telephone connection in many US households (see Exhibit 4). However, as usage declines and competition from lower-priced VoIP carriers increases, telephone providers will need to develop pricing strategies that address the growing gap between usage and spending.

Recent customer satisfaction results illustrate this gap. Despite strong customer satisfaction ratings (80% of customers are satisfied or somewhat satisfied with their local telephone provider), local telephone providers continue to struggle to provide their customers with a perception of value. Nearly two-thirds of local telephone customers believe that their local telephone provider does *not* provide "value for money."

IV. Identifying the Cord-Cutters

Although substitution affects all demographics, cord-cutters are markedly skewed toward younger market segments. In 2005, 5.6% of all US households had cut the cord (up from 3.4% last year). However, 20% of the households in the 18- to 24-year-old age bracket are cord-cutters, while less than 3% of all households with respondents over the age of 35 had cut the cord. Individuals below the age of 34 head more than 60% of the cord-cutter households.

For the younger segment, the label "cord-cutter" is a bit of a misnomer. For many of these consumers, the wireless phone is, and has always been, their primary phone. As these individuals matured and began to set up independent households, they continued their usage patterns and reliance on their wireless phone. Many of these individuals never become landline phone adopters. Therefore, they never needed to cut the cord but continued to rely on wireless as they left their parents' house or college dormitories and established their own wireless-only households.

As a general guide, the younger the consumer, the less of a perceived need for a landline phone. The Yankee Group *2005 Mobile User Survey* found that among wireless-only individuals:

- 27% of cord-cutters between the ages of 18 and 24 cut the cord to save money, while 52% of cord-cutters over 45 cut the cord to save money.
- Conversely, 42% of the cord-cutters between the ages of 18 and 24 cut the cord because they had no need for a landline phone, while only 24% of cord-cutters over the age of 45 reported they have no need for a landline phone.

Wireless Displacement Forecast Reveals Cord-Cutting Hurdles

Yankee Group has updated its wireless displacement forecast, which incorporates analysis from its wireline and wireless research groups and relies on previously published wireless, VoIP and switched access line forecasts, as well as primary consumer surveys and ongoing competitive market analyses.

A number of unique attributes of the landline are not currently fulfilled by the mobile phone (see Exhibit 4). These factors will serve to protect that landline cord. As a result, Yankee Group believes the ceiling for cord-cutter households is fairly low. Exhibit 4 outlines the barriers to wireless displacement.

Exhibit 4.
Top Four Barriers to Cord-Cutting
Source: Yankee Group 2005 Mobile User Survey and 2005 Technologically Advanced Family Survey

Barrier	Description	Status
Reliability and Quality	19% of wireless users cited quality and reliability as primary reasons for retaining the landline phone. Although wireless service clearly has improved in coverage, sound quality and battery life, the end-user experience still lags traditional phones.	**Weakening as a Barrier** Ongoing progress in coverage, capacity and battery life will continue to minimize the gap between the wireless and wireline experience.
Internet Access	21% of wireless users cited internet access requirement as the primary reason for retaining the landline phone. In 2005, nearly 34% of US households still rely on a local phone for dialup access. In addition, about 12% of all US households access the internet via DSL. With the exception of Qwest, local providers continue to resist offering standalone DSL.	**Rapidly Weakening as a Barrier** As more households upgrade from dialup to broadband, the telephone line will become less critical in the delivery of internet access. Although a significant percentage of these customers will select DSL, Yankee Group does expect that naked DSL will become more widely available over the next 2 years. As a result, over time internet access will become a weaker barrier to cord-cutting.
Emergency Calling	27% of wireless users cited emergency calling as the primary reason for retaining the landline phone. Despite significant strides in wireless emergency access, wireless currently doesn't deliver the automated reliability of E911 that traditional local providers offer.	**A Weakening but Very Sticky Barrier** While wireless providers will continue to improve E911 coverage, the insurance offered by E911 will provide very sticky protection for the landline phone, especially for key risk-averse groups such as families with children or seniors. In certain scenarios, at a minimal-spending level (less than $20 per month), E911 alone could provide enough value to justify the monthly cost of a landline phone.
Family Number	25% of wireless users cited other family members as the primary reason for retaining the landline phone. By its very nature, the landline telephone is fixed and represents the home or family. A single number—that provides a family identity and can be given to schools and doctors, and left with babysitters—is valued by this segment.	**A Strong, Stable Barrier** Wireless is an individual service. Even family plans cannot provide the shared "identity" of a landline telephone. A number that is fixed and a service to identify the home or family will continue to be important. As convergent strategies evolve, Yankee Group expects wireline carriers will explore creative ways to preserve this identity and, simultaneously, manage multiple individual wireless numbers.

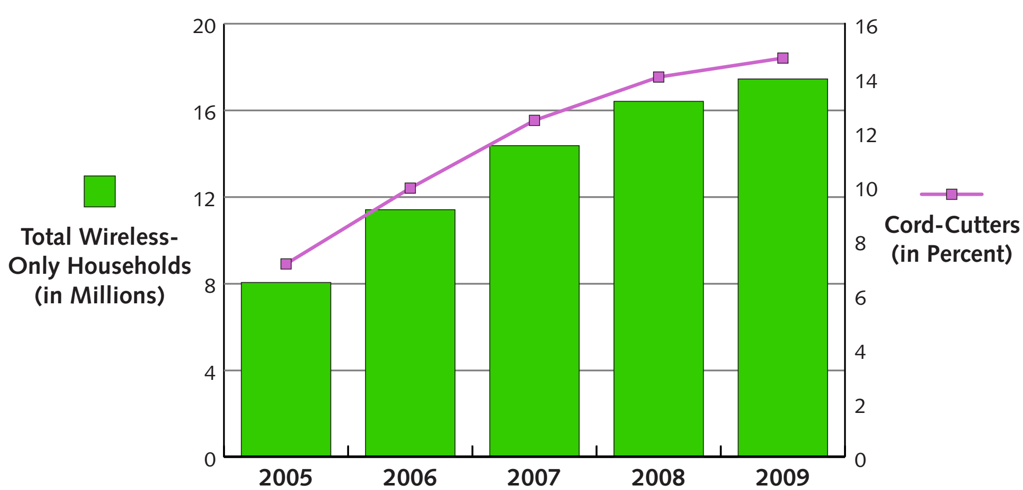
A key factor that will limit pervasive cord-cutting will be the integration efforts of wireline companies. Depending on how providers package and promote their integration efforts, fixed-mobile convergence can serve to accelerate or decelerate displacement trends. (See the October 2004 Report, *The Success of Wireless/Wireline Strategies Hinges on Delivering Consumer Value*.) To the extent that wireline telephone providers implement integration strategies that blur spending across wireless and wireline service and deliver integrated services that unify the wireless and wireline services and deliver new functionality or a simplified experience, the providers can deter some displacement.

By 2009, Yankee Group does not expect wireless-only households to exceed 15% of all US households, or 17.5 million US households. On an individual level, this will represent nearly 45 million mobile subscribers. This represents a slight acceleration in Yankee Group's previously published displacement forecast. At the end of 2004, Yankee Group estimated that wireless-only households in the United States totaled 4.5% of all households versus our earlier projection of 3.9%. We considered these actual results along with updated consumer research and have projected a slight—less than 1 year—acceleration in the displacement trend (see Exhibit 5).

The most significant driver of the wireless displacement trend will be basic demographics. Those in the younger segment (18- to 24-year-olds) will continue their wireless-centric calling habits and continue to see little need for or value in a landline phone. In addition, as the current teenagers (13- to 18-year-olds) mature—graduate from college and establish independent households—users in this segment will be even more likely than their predecessors to remain wireless-only.

Continued decreases in per-minute wireless pricing (beyond the current $0.081 effective price per minute) could accelerate wireless displacement by driving higher levels of wireless substitution and creating a greater imbalance between usage and spending.

Exhibit 5.
US Wireless Displacement Forecast
Source: Yankee Group, 2005



Looking beyond the 5-year horizon, key events that will disrupt this displacement trend will be:

- **The arrival of children in the home.** When today's 18- to 24-year-olds mature, marry and buy a house, they may retain wireless-only habits. However, as children enter the picture, the landline phone becomes more relevant. First, the landline phone value is built upon its reliable emergency service. Second, the increase in the number of household members (from one or two to parents plus children) increases the importance of a family number that represents the family and the fixed location of the home.
- **The evolution of innovative wireless/wireline packages.** As discussed in Section V, the road map for fixed-mobile convergence is still being built. Despite this uncertainty and the number of challenges, fixed-mobile convergence is inevitable. The drivers for cord-cutting will diminish as wireless/wireline packages are introduced that serve to both enhance the wireless experience and preserve the unique attributes of the landline phone without significantly increasing the consumer's monthly spending.

V. Fixed-Mobile Convergence Is Slow to Take-Off

Although wireless substitution is prevalant and wireless displacement steadily gains ground, fixed-mobile convergence applications still lag. In the October 2004 Yankee Group Report, *The Success of Wireless/Wireline Strategies Hinges on Delivering Consumer Value*, Yankee Group outlined a number of different road maps toward convergence and identified the challenges that exist—not the least of which is building consumer demand and delivering consumer value that surpasses the required investment of money or time to adopt new integrated applications or devices. Different types of providers including pure-play wireless, fixed telephone providers (including cable multiple system operators [MSOs]) and alternative players (including ISPs and non-facilities-based VoIP players) are following different paths toward fixed/mobile convergence because each of these players has different assets and goals.

For fixed telephone operators, the road map toward convergence begins with bundling. The next step is to include unifying and integrating features that begin to connect wireless and wireline service and behavior. Then the ultimate goal for most fixed-mobile convergence strategies centers on dual-mode VoWLAN devices that provide seamless voice service in WLAN environments and throughout WAN cellular networks.

However, the drive toward convergence has faced roadblocks from the start. Adoption of wireless/wireline bundles has been very underwhelming in large part because the carriers' sales channels do not conform to the needs of a typical wireless subscriber. In other words, when customers call into their telephone call center, more than likely, they are not in a position to make a decision regarding wireless (e.g., they may be under contract or they may have a need to see and touch the handset). However, recent strategies by some carriers to promote the bundle in wireless retail locations may turn this trend around (see the July 2005 Yankee Group DecisionNote, *Telcos Are Gaining Customers by Building Out the Wireless Bundle at Retail Locations*).

Moving beyond bundling, early integrated features include Cingular's FastForward or Sprint's Home and on the Go, or the unified voicemail boxes or management tools offered by several companies, including traditonal telcos such as SBC's Unified Communication and Verizon's iobi. However, the adoption rate for these features has not been strong. Despite some evidence of consumer interest, FastForward's growth is challenged by limited handset compatibility. In the case of unified voicemail boxes and other management tools, consumers must modify their calling habits and learn new call mangement behaviors before they can realize any value. Most traditional telephone providers are struggling to simpliy the message and articulate the value beyond a limited number of early motivated adopters.

Interestingly, CallWave, a small enhanced service player, has had some success in deploying an integrated wireless/wireline application. Its success is in part because of its limited, more manageable scope: CallWave is independent of both the wireless providers and the wireline carriers. CallWave originally launched an enhanced landline service that enabled users to manage their telephone service and receive calls while they are online. Last December, CallWave launched a mobile service that enables mobile subscribers to dynamicaly intercept calls and route their cell phone calls to the best device for the immediate situation (i.e., wireless phone, home phone, office phone) depending upon their unique coverage and cost considerations. Currently, about 10,000 customers subscribe to CallWave's mobile service for about $4 per month.

Even as the first two stepping-stones of convergence (bundling and integrated features) struggle to gain consumer interest and adoption, many providers and vendors are pushing forward with dual-mode VoWLAN strategies. Several companies, including SBC and Sprint, plan to launch dual-mode Wi-Fi/cellular phones in 2006. Yankee Group primary research indicates promising signs of early consumer interest. The *2005 TAF Survey* found that more than 60% of wireless households in the United States are interested in a service that extends the reach of the wireless phone in the home by improving cell phone coverage, quality and off-loading minutes. Additionally, nearly 15% of households would pay an extra $5 per month for this service.

However, both the market and underlying technologies are rapidly and simultaneously evolving. Optimum market timing and product packaging will be particularly difficult to anticipate. One of the primary challenges for VoWLAN strategies is handset availability. The mass market for mobile services demands a wide variety of devices. However, only 240,000 dual-mode handsets will be shipped globally in 2005. The cost of these early handsets increases the customer acquisition costs to a point at which a dual-mode offering can only be profitable for high-ARPU customers. To overcome this challenge, the industry needs to establish strategies to jump-start market demand and reduce WLAN integration costs.

Providers developing dual-mode VoWLAN offerings should develop a staged approach to deployment that addresses handset availability and variety as well as:

- Lessons from first movers such as BT Bluephone
- Broadband penetration and the positioning of broadband providers in target markets
- Distribution channels
- The development of services that can act as a catalyst for VoWLAN/mobile adoption
- Cultural changes required within the service provider organization to accept VoWLAN as a legitimate commercial offering

Implementation of infrastructure that can manage IP traffic to the extent that if required, IP traffic could be interrogated and undesired traffic managed accordingly.

VI. Conclusions and Recommendations

Conclusions

Consumers across all segments of the market are increasing their reliance on the wireless phone. Continued growth in wireless adoption and usage will increasingly erode the value of the traditional wireline phone. That is certain. Although wireless displacement will grow to 14.6% of all households by 2009, the landline phone does serve several unique purposes that will dissuade many market segments from cutting the cord and help keep wireless displacement concentrated in niche segments (i.e., youth, single dwellers).

However, the relationship between wireless and wireline is not static. Ultimately, wireless and wireline service compete for the same consumer wallet and the same consumer time. The consumer's perception of the value of each service affects the other. As a result, as these services grow increasingly redundant, fixed-mobile convergence is inevitable. Convergent strategies will enable providers to offer combined wireless/wireline service that blurs the spending across the two services. A managed reduction in the combined pricing will uphonld the value of both.

Mmany challenges exist for fixed-mobile convergent strategies and early efforts have had very limited success. In the next 36 months, the demand for converged VoWLAN-mobile solutions in the wireless industry will rapidly increase. Even though the market is still in its early stages, it is confronting a variety of commercial and technical challenges that must be addressed in a systematic manner.

Recommendations for Wireline Carriers

Recognizing the wireline telephony and wireline usage is decline, wireline carriers should:

- **Pursue convergent strategies but recognize that fixed-mobile convergence is not a cure-all.** Despite the early challenges to fixed-mobile convergence, wireline carriers must address consumers' increasing reliance on wireless phones. Bundles that include wireless and wireline services are a building block toward more integrated, cross-subsidized services that deliver greater value than the sum of the parts. Ultimately, wireline carriers should consider deploying a hybrid device voice service with Wi-Fi access in the home and cellular in the wide area. Wireline carriers without wireless assets should begin with an MVNO strategy and, as their wireless base builds, work with their MVNO partner to introduce more integrated offerings such as a dual-mode phone. However, they should recognize that fixed-mobile convergence is not a goal unto itself. The ultimate goal is reducing churn and providing long-term value to the customer. Providers must keep their market timing and product value propositions in line with target market segments and not get ahead of the market.

- **Develop value propositions for key niche segments.** Different market segments place vastly different value on the wireless and wireline phone. The need for reliability, interest in innovative and cutting-edge features, price sensitivity and tolerance for new learning curves all vary across market segments. Different messaging, pricing and product combinations will appeal to different segments.

- **Develop telephone packages that deliver value to the wireless-centric customer, as well as the home-phone-centric customer.** These could include:
  - Lower-priced telephone that emphasizes the security and reliability of the corded connection but is geared toward the infrequent users
  - Lower-priced VoIP service combined with DSL for risk-tolerant, tech-savvy customers seeking to save money
  - Standalone DSL offerings that retain the critical data connection with customers who place limited value on the wireline phone
  - DSL/wireless packages for providers with wireless assets

Recommendations for Wireless Carriers

- **Wireless carriers should pursue the wireless substitution opportunity vigorously** because they have much to gain and little to lose. Even wireless carriers with wireline parents have more to gain than lose. In each market, at least 75% of the wireless subscribers sit on another carrier's network. Strategies to increase in-building minutes of use and quality as well as coverage of service will drive increased wireless value and ultimately support or increase ARPU.

- **Wireless carriers should also evaluate fixed-mobile convergent strategies.** Fifty percent of households believe they will always have a landline phone. In addition, vendors and providers in the market are building momentum and moving fixed-mobile convergence forward despite significant challenges. In the long term, wireless carriers will maximize their potential by exploring strategies that combine the wireline and wireless service—simplifying the experience for the consumer and potentially reducing the cost to carry for the wireless provider.

VII. Further Reading

Yankee Group Reports

The Success of Wireless/Wireline Strategies Hinges on Delivering Consumer Value, October 2004

A New Era in Voice Communications Arrives, as Mobile Changes the Rules for Wireline, November 2003

Yankee Group DecisionNotes

Use Consumer Habits to Map the Easiest Path to the Bundle, July 2005

VoWLAN is the Anchor for Fixed Mobile Convergence, May 2005

Youth Market Will Drive Wireless-Only Households, December 2004

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Surveys take the pulse of current attitudes, preferences and practices across the marketplace, including supply, delivery and demand. These powerful tools enable clients to understand their target customers, technology demand and shifting market dynamics.

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Forecasts provide a basis for sound business planning. These market indicators are a distillation of continuing Yankee Group research, interpreted by our analysts and delivered from the pragmatic stance our clients have trusted for decades.

Signature Events

Yankee Group's Signature Events provide a real-time opportunity to connect with the technologies, companies and visionaries that are transforming Telecommunications; Wireless/Mobile Communications; Consumers, Media & Entertainment; and Information Technology Hardware, Software & Services.

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